

What is the Teacher Deferred Retirement Option Plan (T-DROP)?

T-DROP is an optional retirement plan for ATRS members. If eligible, you may elect to participate in the T-DROP instead of retiring and drawing your monthly retirement check. In order to participate in T-DROP, you must have at least 28 years of service credit to qualify for T-DROP with an early reduction, or 30 years of service without an early reduction.

T-DROP participants do not accrue additional service credit and salary used for retirement. Instead, a portion of the retirement annuity amount you would have received each month is deposited into your DROP account. T-DROP deposits are credited with interest on the account balance each June 30 based on the ATRS plan's performance. Interest rates are set by the ATRS Board and range from 2% to 6% on the mean T-DROP balance each year.

T-DROP participants continue as active members in ATRS but do not receive additional service credit used for retirement calculations. Members who elect to participate must remain employed by an ATRS covered employer for T-DROP deposits and interest payments to continue. T-DROP participation is limited to 10 years.

When may I elect to enter T-DROP?

Participation in the T-DROP begins after 30 years of service. ATRS also allows for early participation in T-DROP with 28 years of credited service, including service credit with Arkansas reciprocal systems or service purchased for credit with ATRS. T-DROP participation begins on July 1 each year.

In order to participate in July, ATRS must receive a complete application for T-DROP enrollment by May 31.

How is the amount of my monthly T-DROP deposit calculated?

Your regular monthly annuity benefits are reduced 1% for each contributory year of service and .6% for each year of noncontributory service credit. An additional 6% reduction is applied for each year of service credit under 30 years of service credit. (e.g. 6% if retiring with 29 years or 12% if retiring with 28 years).

Will I receive a cost-of-living adjustment while in T-DROP?

Your regular retirement annuity will be increased by a cost-of-living adjustment (COLA) in July after your first year of participation in T-DROP as if you had retired on your date of entry into T-DROP. Your T-DROP deposit will reflect this increase each year. The COLA increase occurs annually.

May I change jobs while in T-DROP?

Yes, as long as you continue working for an ATRS covered employer. If you teach now but later accept a position in another school, educational related state agency, or public college or university, you may continue participation in T-DROP if the employer is covered by ATRS and participates in ATRS.

How much interest does T-DROP earn?

Your T-DROP account earns interest on the DROP account balance on each June 30.

The interest rate will be determined by the Board varying from 2% to 6%. If you retire prior to July 1 in a given year, you will not receive interest for the last year of participation in T-DROP.

How does T-DROP Affect My Regular Benefits?

Like all decisions concerning retirement, the decision to participate in T-DROP should be made very carefully. Your decision to enroll in T-DROP freezes your regular retirement benefit increases except COLAs and is *irrevocable*. You are not eligible to accumulate additional service credit and your final average salary will never increase from the level set when you enroll in T-DROP.

What happens after I have participated for 10 years in T-DROP?

If you wish to continue working for an ATRS covered employer after 10 years' participation in T-DROP, ATRS will pay annual interest on the T-DROP balance each June 30 at an interest rate between 4% and 6% until you decide to retire.

How Do I Retire After Participating in T-DROP?

To retire, you must submit a retirement application along with a T-DROP distribution election.

To draw retirement from ATRS, you must meet all retirement eligibility requirements including the termination of employment with all ATRS covered employers by your retirement effective date if you are not age 65. You should review the retirement eligibility rules carefully before making the decision to retire.

How is my T-DROP account distributed?

You may elect to receive your T-DROP account as a lump sum paid to you, rolled into another qualified retirement plan, added to your regular annuity and paid monthly over your lifetime, or a combination of these distribution options.

Lump Sum Distribution – You may request that the accumulated T-DROP funds be paid to you as a lump sum at retirement. This is a taxable distribution and mandatory tax withholdings are applied to the payment. An additional 10% tax penalty may apply if you receive a distribution prior to reaching age 59½.

The lump sum distribution of your T-DROP is rollover eligible. This means you may instruct ATRS to pay the T-DROP funds into another eligible retirement plan such as a qualified IRA or 403(b) annuity. Rollovers are generally taxed upon withdrawal from the rollover institution and not at the time of the rollover from ATRS to the institution receiving the funds.

Annuitized - You may elect to have your T-DROP funds added to your regular monthly retirement annuity. This will increase your regular retirement annuity by the amount of your T-DROP funds and the annuity is payable for your lifetime. The T-DROP annuity will receive cost-of-living adjustments after retirement, just like your regular retirement benefit.

Combination – you may elect to receive both the annuity and lump sum distribution in increments of 25%, 50%, or 75%; so long as the total distribution is 100% of your T-DROP account.

May I continue to work or return to work after I retire from T-DROP?

The same rules apply to retirement with ATRS, regardless of whether you have participated in T-DROP. In order to receive T-DROP funds, you must meet the requirements and retire from ATRS. Members who are not 65 or older must terminate employment prior to the retirement effective date and will have a termination/separation period. You must remain terminated with any ATRS covered employer for at least 1 month if you have 38 years of participation with ATRS or 6 months if you retire with less than 38 years of ATRS participation. ATRS retirement counselors will be glad to answer your questions.

PLEASE READ THIS

IMPORTANT: T-DROP is intended to operate in accordance with Section 415 and other applicable section of the United States Internal Revenue Code.

Any provisions of T-DROP found to be in conflict with an application provision of the Internal Revenue System Code will be declared null and void.

This Brochure is not intended as a substitute for the laws of the State of Arkansas. Rules governing benefits are subject to change periodically either by statute of the Arkansas Legislature or by regulation of the ATRS Board of Trustees.

ARKANSAS TEACHER RETIREMENT SYSTEM

TEACHER DEFERRED RETIREMENT OPTION PLAN (T-DROP)

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